GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:4370
ANSWERED ON:07.05.2007
HOARDING OF ESSENTIAL COMMODITIES
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Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether hoarding of essential commodities continues to be the major cause of rise in prices of essential commodities despite the arrival of Rabi crops and several other steps taken by the government to contain the price rise;

(b) if so, the reaction of the Government thereto;

(c) whether the Government proposes to involve the intelligence agencies to check the hoarding;

(d) if so, the details thereof;

(e) whether the Government has received some recommendations/suggestions from various quarters to control the price rise; and

(f) if so, the details and the action taken by the Government thereon?

Answer

MINISTER OF AGRICULTURE AND MINISTER OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI SHARAD PAWAR)

(a) & (b): Rise in prices of essential commodities is caused by a variety of factors impacting on the demand and supply side. These include domestic production, quantity of imports, hoarding, international prices, consumption requirements, expectations regarding behaviour of prices, etc.

The Government is fully alive to the issue of hoarding of essential commodities. It has therefore authorized the State Governments to prescribe stock holding limits on wheat and pulses, by its Central Control Order dt. 29.08.2006 under the Essential Commodities Act, 1955 for a period of six months.

(c) & (d): There is no such proposal at present with Department of Consumer Affairs.

(e) & (f): Based on its assessment of the price situation, the Government has taken a number of measures to control the price rise. These are to increase the supply and moderate the price rise through administrative, fiscal and monetary measures, the details of which are given in Annexure.

ANNEXURE

Measures taken by the Government to contain inflation

Monetary Measures

Increasing the cash reserve ratio by 25 basis points each on four occasions so far on December 23,2006, February 17, 2007 and March 3, 2007 to reach 6.0 percent. On March 30, 2007, the Reserve Bank of India announced further increase in CRR by 50 basis points (CRR would reach 6.50 per cent effective April 28, 2007).

Repo rates were revised upwards five times in 2006-07 by 25 basis points on each occasion to reach 7.75 per cent on March 30, 2007.

On March 2, 2007, the Reserve Bank of India announced three further measures to manage liquidity in the system: first, starting March 5, 2007, under the Liquidity Adjustment Facility, to limit daily reverse repo absorption to a maximum of Rs. 3,000 crore each day; second, to issue dated security for Rs. 6,000 crore (nominal) on March 6, 2007 under the Market Stabilisation Scheme (MSS); and third, to auction Treasury Bills for a notified amount of Rs. 2,500 crore on March 7, 2007.

Fiscal Measures

As against the normal applicable duty of 50 per cent, allowing private trade to import wheat at 5 per cent duty from June 28, 2006, and at zero duty from September 9, 2006.

Reduction of customs duty on import of pulses to zero on June 8, 2006.

Reduction in import duty on palm group of oil by 10 percentage points in August 2006 and by a further 10-12.5 percentage points in January, 2007. Maintaining the tariff value for assessing import duty unchanged at the July 2006 level.

In January customs duty was reduced on Portland cement, various metals, machinery items and project imports.

On February 28, 2007, Budget 2007-08 initiated several further measures, which include:

Reducing peak rate of basic customs duty for non-agricultural products from 12.5 per cent to 10 per cent;
Reducing basic customs duty on selected raw materials, intermediate and capital goods to 5-7.5 per cent;
Removal of additional countervailing duty of 4 per cent on edible oils;
Reducing basic customs duty on sunflower oil by 15 percentage points;
Reducing excise duty on petrol and diesel, umbrellas and footwear, and on cement up to Rs. 190 per bag;
Exempting biscuits up to Rs. 50 per kg, and food mixes from excise duty.
Basic customs duty on palm group of oils was further reduced by 10-percentage points in April, 2007.

Measures for augmenting domestic availability

STC contracted for import of 55 lakh tonnes of wheat to supplement domestic availability, of which more than 50 lakh tones had arrived.
Decision to release up to 4 lakh tones of wheat under the Open Market Sale Scheme in February and March, 2007.

Ban on export of pulses with effect from June 22, 2006; wheat and skimmed milk powder from February 9, 2007.
NAFED importing 49,300 tonnes of pulses. Under a new contract executed by NAFED in December 2006 to import 30,000 tonnes of pulses, over 12,000 tonnes had been shipped.

NAFED,STC and other public sector agencies are contracting additional quantities of pulses. Public agencies are expected to procure over one million tones of pulses in 2007-08.

For a sustained improvement in agriculture production and productivity, Budget 2007-08 has proposed measures to increase irrigation, availability of improved seeds, institutional credit and fertilizers and measures to accelerate the adoption of new technologies through a revamped training and visit system.

Administrative measures

Reduction in the ratail prices of petrol by Rs.2 per litre and diesel by Rs.1 per litre first in November 2006 and again in February, 2007.
Ban on futures trading in tur and urad from January 24, 2007 and in wheat and rice from February 28, 2007.
Extending up to August 28, 2007, the order enabling the State Governments to prescribe stock limits, etc., in respect of wheat and pulses under the Essential Commodities Act.
Constitution of an Expert Committee under the chairmanship of Prof. Abhijit Sen, Member, Planning Commission, to look into all the issues relating to futures trading.
Strengthening the monitoring mechanism of the public distribution system.